

Bylaws

CentralStar Cooperative, Inc.

*May 1, 2019
(Amended 5-1-2019)*

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Our Vision

Providing premier services and products for agriculture producers to enhance their business and well-being by:

- Expanding current and new services through support of technology, research and development;
- Collaborating and investing in strategic alliances with other business entities, and
- Promoting a work environment that enhances knowledge, creativity, innovation, and personal growth.

**ARTICLE I
NAME OF CORPORATION
AND FISCAL YEAR**

Section 1. Name and Assumed Names

- a) The name of the Corporation is CentralStar Cooperative, Inc. The Corporation may adopt other assumed names from time to time as deemed appropriate for certain lines of business or specific activities. Adoption of assumed names shall be determined by the Cooperative's Board of Directors.

- b) Whenever the term "Cooperative" is used in these bylaws, it shall mean CentralStar Cooperative, Inc.

Section 2. Fiscal Year

The Cooperative's fiscal year shall begin on October 1 and end on September 30 and may be changed at the discretion of the Board of Directors.

**ARTICLE II
MEMBERSHIP**

Section 1. Qualifications for Voting Membership

Any person, partnership, corporation, limited liability company, trust, association, or other legal entity, including both landlords and tenants in share tenancies shall qualify to be a voting member of the Cooperative if:

- a) they are an owner or producer of livestock, or otherwise conduct agricultural related business within the territory in which the Cooperative operates; and

- b) they have conducted the minimum level of business with the Cooperative necessary to meet the member activity level requirement established in accordance with these bylaws; and

- c) they hold one fully paid share of voting common stock of the Cooperative in accordance with these bylaws; and

- d) they meet such other conditions or requirements, if any, as may be uniformly prescribed for all voting members by the Cooperative's Board of Directors in accordance with these bylaws.

Section 2. Representation of Non-Proprietor Entities

Any voting member entity who is not an individual shall be entitled, and is required, if notified in writing by the Cooperative, to file the name of its designated representative for voting in all cooperative stockholder matters. Such filing shall be with the Cooperative's corporate secretary, shall be in writing, and shall be in effect until written notification of the change in representative by the member entity is received by the Cooperative's corporate secretary. Such notifications received from member entities shall be assumed to be official based upon signature of appropriate member entity officers or other authorized persons. The Cooperative shall not be responsible if such member entity representative filings are not authorized or correct in any way.

Section 3. Non-Voting Members

For purposes of patron relations, marketing, or other objectives of the Cooperative, the Board of Directors is authorized, but is not required, to establish a non-voting membership classification for patrons who do not, for any reason, meet the requirements of a voting member in the Cooperative or do not desire to be a voting member. The directors may establish requirements and benefits of such a member classification. Any such requirements or benefits shall not conflict with these bylaws.

Section 4. District Meetings

- a) The members in the territory within which the Cooperative does business shall be grouped into districts for the purpose of dissemination of information concerning the Cooperative and discussion of business matters of the Cooperative in a forum geographically located closer to the member than the location of the annual meeting.

The Board of Directors of the Cooperative shall have the power to determine the number of districts, their geographical boundaries and the rules and regulations covering their purposes and the manner of their implementation. In their determination of districts, there shall be no less than thirteen (13) districts in total, with no less than nine (9) districts in Wisconsin, no less than three (3) districts in Michigan, and no less than one (1) district in Indiana.

- b) District meetings shall be called by action of the Board of Directors when circumstances deem such a meeting is appropriate. Notice of the time and place of all District meetings shall be given to each voting member of the Cooperative assigned to each respective District in conformance with the notice procedures stated in Article IV, Section 3 of these bylaws. The record date for member voting eligibility for district meetings shall be set in

accordance with Article III, Section 4 of these bylaws. The Board of Directors shall have the discretion to invite non-voting members to district meetings if the directors deem such attendance appropriate.

- c) A quorum for purposes of District voting on the matters requiring such a vote established in this article shall be as described in Article IV, Section 4 of these bylaws applied to the stockholders assigned to the District by the Board of Directors.

Voting at a district meeting or mail-in election shall be in compliance with Article IV, Section 5 of these bylaws.

- d) When a District meeting is called, the serving director from the District shall serve as the chairperson of the meeting or shall appoint an alternate chairperson. The Board of Directors shall provide a list of the voting common stockholders of record for the district prior to a district meeting.
- e) Voting members of a District may elect voting members (or designated representatives of a voting member) of the Cooperative to represent the District at the Cooperative's annual meeting. Such representatives of a District may voice the opinions and concerns of the District they represent at the Cooperative's annual meeting, but each District representative shall have their one vote plus any proxy votes assigned to them by voting members from within or without their District. Voting members may be encouraged to give their proxy to the appointed District representatives, but may not be required to do so.
- f) Each District shall elect one (1) Director of the Cooperative to serve a term as provided in Article V, Section 2 hereof. Such election is to be confirmed at the following annual meeting of the Cooperative. Election of the District's Director shall be by a vote of members of the Cooperative assigned to the district following the voting procedures stated in Article IV, Section 5 of these bylaws.

Each District shall have the right to recall a director for failing to properly represent the District or for acts not in the best interests of the District or the Cooperative. A Director may be removed by the majority vote of the Cooperative's members entitled to vote at the specific District's meeting following the voting procedures stated in Article IV, Section 5 of these bylaws. A replacement director

can then be elected under procedures for electing directors by the districts established in these bylaws.

Section 5. Membership/Patronage Agreements

This Cooperative may enter into a written membership agreement with each voting member which shall be in such form as may be prescribed by the Board of Directors but shall not be transferable. Such membership agreement will contain the member's consent agreement as required for patronage distributions under IRC Section 26 U.S.C. 1385(a). It will also include acknowledgment of receipt of a copy of these bylaws and agreement to abide by them. Such member agreement may also contain any additional provisions in conformance with these bylaws which the Board of Directors may deem appropriate.

This Cooperative may enter into patronage agreements with non-voting members or non-members who desire to patronize the Cooperative and receive patronage allocations. Such patronage agreements will contain the patron's consent agreement as required for patronage distributions under IRC Section 26 U.S.C. 1385(a) and may also contain any additional provisions the Board of Directors may deem appropriate.

Section 6. Suspension or Termination of Membership

If the Board of Directors shall find that a voting member has ceased to meet the qualifications for such membership status as established in these bylaws, it may suspend the member's rights as a member or terminate his membership. Upon termination of voting membership in the Cooperative, the Board of Directors shall have the option of redeeming the member's voting common stock, transferring it to another patron eligible to be a voting member, or transferring it to a non-voting class of equity security issued by the Cooperative in equivalent value amounts. Termination of voting member status under this provision will not affect rights and obligations of the member in any allocated patronage accounts or other classes of equity securities issued by the Cooperative. No action taken hereunder shall impair the obligations or liabilities of either party under any contract with the Cooperative, which may be terminated only as provided therein.

A suspended voting member shall be reinstated upon meeting the terms of the suspension as established by the Board of Directors.

The Board of Directors shall also reserve the right to suspend or terminate a voting member's status if it deems the member has acted against the financial interests of the Cooperative through failing to timely pay amounts owing to the Cooperative, violations of agreements, these bylaws, or state or federal law. Any member so suspended or terminated

shall have the right to appeal such decision of the Board to the voting members at the Cooperative's next annual meeting.

Section 7. Member Activity Level

In order to maintain eligibility to be a voting member of the Cooperative, a stockholder must annually conduct a minimum level of business with the Cooperative. The Board of Directors shall periodically review the minimum level of annual business that is required for membership, and shall recommend changes to voting members for approval at the annual meeting of the Cooperative. Any changes to the minimum level of annual business shall be promptly communicated to patrons.

ARTICLE III SHARES OF STOCK

Section 1. Non-Certificated and Certificated Shares

- a) **Non-Certificated Shares.** Pursuant to Section 336 of the Michigan Business Corporation Act, MCL 450.1336, the Board of Directors may authorize the Corporation to issue some or all of its shares of stock of any or all of its classes or series of stock without certificates. The authorization does not affect shares already represented by certificates until the certificates are surrendered to the Corporation. Within a reasonable time after the issuance or transfer of un-certificated shares, the Corporation shall provide the holder of such shares a written statement satisfying the requirements of Section 336.

- b) **Certificated Shares.** If any shares of stock of the Corporation are represented by a Certificate, then the certificates for shares of capital stock of the Cooperative shall be in such form as shall be approved by the Board of Directors and as shall be required by law. The certificates of shares shall be signed by the President or Vice-President, and countersigned by the Treasurer or Secretary of the Cooperative, and may be sealed with the seal of the Cooperative or a facsimile therefore if such seal is adopted for use by the Board of Directors.
 - (1) **Common Stock.** Each certificate of common stock shall show on its face its designation by class and the privileges, voting rights, or restrictions and qualifications applicable to shares of such class as specified in the articles of incorporation.

- (2) Preferred Stock. Each certificate of preferred stock shall show on its face the preferences, privileges, voting rights, or restrictions and qualifications of such stock as specified in the articles of incorporation.

Section 2. Acquisition of Shares

Each patron of this Cooperative who meets the eligibility requirements set forth in Article II hereof shall be entitled to purchase one share of the common stock of this Cooperative, provided, however that the Board of Directors shall have the right to permit or deny the acquisition of the common stock of this Cooperative by any patron otherwise eligible hereunder, in the event that the Board of Directors determines that allowing the acquisition of such status would be contrary to the interests of the Cooperative and its members. The Board of Directors shall determine the method of payment for such common stock.

Section 3. Lost Certificates

In the event of loss of stock certificates, new certificates shall be issued only upon proof of loss by affidavit by the registered holder and approval by the Board of Directors, who may require a Bond of Indemnity in a form satisfactory to them as a condition thereof.

Section 4. Fixing of Record Date

For the purpose of determining stockholders entitled to notice of or to vote at any meeting of voting stockholders or an adjournment thereof, or participate in a mail-in or electronic vote, or receive payment of any dividend, or receive an allotment of rights or for the purpose of any other action, the Board of Directors may fix a record date for such determination not less than ten (10) days nor more than (60) days before the date of the meeting or action to be taken.

If a record date is not fixed (a) the record date for determination of stockholders entitled to notice of or to vote at a meeting or participate in a mail-in or electronic vote of members shall be the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day next preceding the day on which the meeting is held, the mail-in submission date or the electronic vote deadline and (b) the record date for determining stockholders or members eligible for any purpose other than that specified in subdivision shall be the close of business on the day on which the resolution of the Board of Directors relating thereto is adopted.

When a determination of stockholders or members of record has been made as provided in this section, such determination shall apply to any adjournment of any meeting thereof, unless the Board of Directors fixes a

new record date under this section for the adjourned meeting. Nothing in this section shall affect the right of a voting member and his transferee or transferor as between themselves.

ARTICLE IV COOPERATIVE MEMBER MEETINGS

Section 1. Annual Meetings

The Annual Meeting of the Cooperative shall be held within six (6) months following the close of each fiscal year at such time and place or places as shall be designated by the Board of Directors. The Board of Directors may direct that the Annual Meeting be held at one or more locations simultaneously.

Section 2. Special Meetings

Special meetings of the Cooperative's voting members may be called at any time by the President or Secretary of the Cooperative. Such a meeting must be called by either of these officers within twenty (20) days after a request for such meeting has been received from either the Board of Directors or one-tenth (10 percent) of the voting members of record of the Cooperative. The Board of Directors may direct that any special meeting be held at one or more locations simultaneously.

Section 3. Notice of Meetings

Written notice of the time, place and purpose of any such meeting of the Cooperative's voting members shall be given to each voting member not less than ten (10) days nor more than sixty (60) days before the meeting either personally, by mail to his or her last address as it appears on the books of the Cooperative, or by a form of electronic transmission to which the member has consented. If mailed, notice shall be deemed given by depositing the same in a post office box, postage prepaid, and addressed to the last known address of such voting member.

Section 4. Quorum of Shareholders

Except as hereinafter provided and as otherwise provided by law, at any duly called and noticed meeting of the voting members of the Cooperative, the members present in person shall constitute a quorum. Where a specific percentage of the voting stockholders are required by law or otherwise to establish a quorum, the members represented by proxy, mail-in-ballot or electronic transmission shall be considered along with those members in attendance to establish a quorum for the meeting and less interest than a quorum may adjourn any such meeting. The shareholders present in person or by proxy, mail-in ballot or other means

of electronic communication at such meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 5. Voting

- a) **General.** Each outstanding share of common stock is entitled to one vote on each matter submitted to a vote. In the case of membership shares held in joint ownership by two or more persons, or by an entity owned by two or more persons, any one of such persons may cast the vote, subject to the provisions of Article II, Section 2 of these bylaws.

- b) **Voting at Member Meetings.** A vote by a member in attendance at a meeting may be cast either orally or in writing at the discretion of the chairman of the meeting. Voting members present at a meeting may request a written or roll call vote that shall be so taken and recorded. When an action, other than the election of directors, is to be taken by vote of the members at a meeting, it shall be authorized by a majority of the votes cast by the holders of shares entitled to vote thereon in attendance at the meeting, in person or by proxy, unless a greater number is required by the Articles of Incorporation. The directors shall be elected by a plurality of the votes cast at an election of directors.

Subject to any guidelines and procedures adopted by the Board of Directors, voting members and proxy holders not physically present at a meeting of the Cooperative's voting members may participate in the meeting by means of remote communication, are considered present in person for all relevant purposes, and may vote at the meeting if all of the following conditions are satisfied:

- (1) the Cooperative implements reasonable measures to verify that each person considered present and permitted to vote at the meeting by means of remote communication is a voting member or proxy holder,
- (2) the Cooperative implements reasonable measures to provide each voting member and proxy holder with a reasonable opportunity to participate in the meeting and to vote on matters submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings, and
- (3) if any voting member or proxy holder votes or takes other action at the meeting by means of remote communication, a record of the vote or other action is maintained by the

Cooperative.

If a voting member or proxy holder may be present and vote at a meeting by remote communication, the means of remote communication allowed shall be included in the notice of the meeting.

- c) Meetings with Mail-in or Electronic Voting. The Board of Directors may authorize member voting by mail in conjunction with any regular or special meeting of the members and shall prescribe by resolution and/or written policies the manner and method of any authorized voting by mail. The Directors may also authorize voting to be done online or by other electronic voting methods as long as the Directors determine the electronic voting method is secure in verifying the identity of the person voting. Mail-in or electronic votes received in conformance with all established policies and requirements shall be counted as if the member were in attendance at the meeting for purposes of
- (1) establishing a quorum as to the matters being voted on by mail, and
 - (2) being counted as votes for or against, and meeting majority vote requirements pertaining to, the matter(s) included in the mail-in voting notice sent to members prior to the meeting.

In meetings where mail-in or electronic voting is allowed, the mail-in or electronic votes shall be counted at the meeting so the election results may be announced at the meeting or any adjournment thereof.

- d) Member Voting Without A Meeting. The Board of Directors may authorize member voting by mail and/or by electronic transmission without a meeting for the election of directors and committee members, and for the approval of amendments of the corporation's articles or bylaws, and shall prescribe by resolution and/or written policies the manner and method of any authorized voting by mail. Voting by electronic transmission shall be authorized in conformance with Section 5(b) of this article. Mail-in and/or electronically transmitted votes received in conformance with all established policies and requirements shall be counted as of the cut-off date established for the vote without a meeting towards meeting the applicable quorum requirements and for or against the matter(s) being voted upon.

Section 6. Order of Business

The order of business at Annual Cooperative Meetings shall be as follows, except that in the absence of objections to the contrary from any delegate present, the President may change the order of business as he or she shall deem desirable and for the best interest of the Cooperative:

- (1) Call to Order
- (2) Roll call for quorum
- (3) Reading of notice of meeting
- (4) Reading and disposal of minutes of last meeting
- (5) Appointment of committees
- (6) Report of officers
- (7) Report of election of directors by districts
- (8) Report of committees
- (9) Unfinished business
- (10) New business
- (11) Adjournment

Section 7. Proxies

Common stockholders of record may vote at any meeting or express consent or dissent without a meeting either in person or by proxy in writing, which shall be filed with the Cooperative's corporate secretary before being voted. A proxy shall be executed by the common stockholder or the stockholder's authorized agent or representative or shall be transmitted electronically to the person who will hold the proxy or to an agent fully authorized by the person who will hold the proxy to receive that transmission and include or be accompanied by information from which it can be determined that the electronic transmission was authorized by the stockholder. A complete copy, fax, or other reliable reproduction of the proxy may be substituted or used in lieu of the original proxy for any purpose for which the original could be used.

Such proxies for a specific meeting shall entitle the holders thereof to vote at any adjournment of such meeting, but shall not be valid after the final adjournment thereof. No proxy shall be valid after the expiration of three (3) years from the date of its execution unless the shareholder executing it shall have specified therein the length of time it is to continue in force, which shall be for some limited period.

Section 8. Waiver of Notice

Notice of the time, place, and purpose of any meeting of voting members may be waived by telecopy or other writing, or by electronic transmission, either before or after the meeting.

Attendance of a person at a meeting of voting members, in person or by proxy, constitutes a waiver of notice of the meeting, except when the voting member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 9. Multiple Meeting Locations

If more than one location is designated for any Annual Meeting or special meeting, then the voting members of the Cooperative shall be informed of all meeting locations so they can decide where to attend, and the Directors shall provide for participation by voting members at each location by means of remote communication equipment pursuant to Section 10 of this Article IV.

Section 10. Electronic Meetings.

The Directors, in their sole discretion, may authorize voting members to participate in any Annual Meeting or special meeting by conference telephone or other means of remote communication, and may hold meetings of the voting members conducted solely by means of remote communication. All participants shall be advised of the means, if any, of remote communication. If authorized by the Directors, and subject to any guidelines and procedures adopted by the Directors, voting members and proxy holders that are not physically present at a meeting but participate by authorized means of remote communication will be considered present in person and may vote at the meeting if all of the following are met: (i) the Cooperative implements reasonable measures to verify that each person who is considered present and is permitted to vote at the meeting by means of remote communication is a voting member or proxy holder, (ii) the Cooperative implements reasonable measures to provide each voting member and proxy holder a reasonable opportunity to participate in the meeting and to vote on matters submitted to the voting members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings, and (c) if any voting member or proxy holder votes or takes other action at the meeting by means of remote communication, a record of the vote or other action is maintained by the Cooperative..

**ARTICLE V
DIRECTORS**

Section 1. Number, Qualifications, and Term

- a) Upon consummation of the merger between NorthStar Cooperative, Inc., a Michigan corporation, and East Central

Select Sires, a Wisconsin cooperative, pursuant to that certain Merger Agreement dated February 7, 2019 (the “Merger”), the Board of Directors of the Cooperative shall be composed of twenty-seven (27) directors, consisting of all of the directors of NorthStar Cooperative, Inc. and East Central Select Sires immediately before the effective time of the Merger. Each member of the post-Merger Board of Directors will serve until September 30, 2019, or until their successors are elected and qualified pursuant to this Section, whichever is later.

- b) Beginning on the later of October 1, 2019, or the date on which the voting members elect successors to the post-Merger Board of Directors, the voting members of the Cooperative shall elect one Director from each of the Cooperative’s Districts.
- c) To be eligible to serve as a Director, an individual must:
 - (1) be common shareholder and voting member of the Cooperative in good standing, or be the designated representative of an entity that is a common shareholder and voting member of the Cooperative in good standing;
 - (2) maintain his or her herd (or be the designated representative of an entity that is a voting member that maintains its herd) in the District from which he or she was elected;
 - (3) not be an employee or distributor of the Cooperative; and
 - (4) be or represent a common shareholder who, based upon average purchases during the Cooperative’s two most recently completed fiscal years (or such shorter period that the individual was or represented a common stockholder of the Cooperative):
 - (i) meets one of the following criteria: (A) buys the Cooperative’s products and services at a level equivalent to at least \$15 per milking animal per year, (B) in the event the member is engaged in a heifer raising enterprise, buys the Cooperative’s products and services at a level equivalent to at least \$15 per breeding age heifer per year, or (C) buys the total equivalent

of \$5,000 of the Cooperative's products or services annually; and

- (ii) buys at least 70% of all semen units from the Cooperative.

The foregoing requirements apply in the aggregate to all of the common shareholder's farm operations that are located within the Cooperative's service area.

If at any time, the Directors by affirmative majority vote determine that a Director ceases to satisfy the qualifications in subsections (1), (2), or (3), above, he or she will be deemed to have immediately tendered his or her resignation as a Director, to be accepted or rejected by the remaining Directors. No director shall be eligible for re-election if he or she failed to meet the qualifications in subsection (4), and in such case, he or she shall vacate his or her position as Director at the end of his or her current term (but will not be deemed to have immediately tendered his or her resignation). Any vacancy shall be filled in accordance with these bylaws.

- d) Each Director shall serve for a term of three (3) years, which term shall commence at the end of the meeting at which the Director is elected; provided however, that the Directors elected after the post-Merger Board shall be divided into three (3) classes such that four (4) Directors serve an initial term of one (1) year, four (4) Directors serve an initial term of two (2) years, and five (5) Directors serve an initial term of three (3) years, so that thereafter, approximately one-third (1/3) of all Directors stand for election each year. The Directors elected to succeed the post-Merger Board shall draw lots to determine who will serve a term of one, two, or three years; provided however, that each class must include at least one director representing a geographic district located in Michigan.

Section 2. Election of Directors

The Directors shall establish geographic districts in accordance with Article II, Section 4, which shall be geographically described as designated on the master district map on file in the Cooperative's main office. The Board of Directors shall from time to time redistrict the area in which members live and change said district as the Board of Directors deem appropriate to best serve the interest of the members. The Board of Directors shall call meetings of the members belonging to a district in accordance with Article II. Each district shall elect one Director by a

majority vote of members residing in such district and voting at such district meeting. Every member attending the district meeting shall be entitled to case one (1) vote at such election .

Section 3. Vacancies

The power is herein conferred upon the Board of Directors to fill vacancies, except it does not apply to any vacancies caused by the removal of directors from the Board of Directors as hereinafter provided. Any director appointed by the Board of Directors to fill a vacancy shall be from the district represented by the vacant director position being filled and serve until their successor is elected to serve out the balance of the term to which they were appointed. Such election shall take place prior to the next annual meeting of the Cooperative through a meeting or a mail-in or electronic vote of members of the District the appointed Director represents.

Section 4. Removal of Directors

At any Annual Meeting of the Cooperative's voting members or Special Meeting called for this purpose, any Director may be removed from office for actions which are contrary to the best interests of the Cooperative by a majority vote of two thirds (2/3) of the voting members present. A director to fill the resulting vacant director position shall be elected by a majority of the voting members present under the same provisions as if the Board of Directors had filled a vacancy under this Article, Section 3.

Section 5. Meetings of the Board

Meetings of the Board of Directors shall be held whenever called by direction of the President or a majority of the Directors. The Secretary shall give notice of special meetings to all Directors in writing or by a form of electronic transmission to which the director has consented at least two (2) days before the date of each meeting, but such notice may be waived by any Director, or if all of the Directors shall, in writing, waive notice and fix a time and place of meeting, then no period of time need elapse between the date of call and date of meeting. Attendance of a director at a meeting constitutes a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Unless otherwise specified in the notice thereof, any and all business may be transacted at a special meeting. Any business may be transacted at any meeting at which all of the Directors may be present, even though convened without two (2) days previous notice.

A member of the Board or a committee designated by the Board may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in a meeting pursuant to this method constitutes presence in person at the meeting.

Section 6. Quorum and Action Without a Meeting

A majority of the Board of Directors, when present at any duly called and convened meeting of the Board of Directors, shall constitute a quorum for the transaction of business, provided that if the Directors shall severally and collectively consent in writing or, to the extent permitted by law by electronic transmission, before or after any action is taken by the Cooperative, such action shall be valid as a corporate action as though it had been authorized at a meeting of the Directors.

Section 7. Compensation of Directors

The directors, by the affirmative vote of the majority, shall have authority to establish reasonable compensation for service to the Cooperative by directors and officers and shall be entitled to receive reimbursement for necessary and proper expenses in connection with their duties as such director or officer.

Section 8. Outside Directors

The Board of Directors shall have the option to elect, by majority vote of the Board of Directors, up to two additional directors who are not voting members of the Cooperative. These outside directors would serve at the will of the Board of Directors for terms not to exceed three years and their service may be terminated at any time by vote of two thirds (2/3) of the Directors then serving on the Board by election under Section 2 of this Article. While serving, these outside directors shall vote and have all responsibilities and rights of the other directors of the Cooperative.

Section 9. Director Dissents

A director who is present at a meeting of the Board of Directors, or a Board committee of which the director is a member, at which action on a corporate matter is taken, is presumed to have concurred in that action unless the director's dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the person acting as secretary of the meeting before the adjournment of it or forwards the dissent by registered mail to the secretary of the corporation within 10 days after the adjournment of the meeting. The right to dissent does not apply to a director who voted in favor of the action.

A director who is absent from a meeting of the Board or a Board committee of which the director is a member, at which any such action is taken, is presumed to have concurred in the action unless he or she files a written dissent with the secretary of the corporation within 10 days after the minutes of the meeting are distributed to the directors whereupon the director is assumed to have knowledge of the action.

ARTICLE VI DUTIES OF DIRECTORS

Section 1. Management of the Business

The Board of Directors shall have general supervision and control of the business and the affairs of the Cooperative, and shall establish all policies and shall make all rules and regulations not inconsistent with law or these Bylaws for the management of the business and the guidance of the members, officers, employees and agents of the Cooperative. The Board of Directors shall have the power to acquire such properties as it shall deem necessary for the proper conduct of the business of the Cooperative, upon such terms and conditions as it shall deem necessary for the best interest of the members.

Section 2. Employment of Executives and Managers

The Board of Directors shall have the power to enter into such contracts and agreements for the management and supervision of the business, including employment of executives, management services, technicians and other employees as it shall deem necessary, and to fix the compensation for such employees and services.

Section 3. Depositories

The Board of Directors shall select one or more depositories for funds of the Cooperative and shall determine the manner of receiving, depositing and disbursing the funds of the Cooperative, and the form of checks and person or persons to whom shall be delegated authority to issue and sign checks.

Section 4. Bonds

The Board of Directors shall require the management and any other officer, agent or employee who shall have the responsibility for custody of any of its funds or property to severally give adequate bonds for the faithful performance of their duties in such sums as the Board of Directors may require, the cost thereof and the premium thereon to be paid by the Cooperative.

Section 5. Insurance

The Board of Directors shall provide for adequate insurance of all property regardless of ownership, which may be in possession of the Cooperative, or owned, controlled, housed or stored by it, and shall provide for adequate public liability insurance for its contacts with the general public. The Board of Directors shall also provide for adequate directors and officers insurance for the members of the Board of Directors and the officers of the Cooperative.

Section 6. Accounting Records

The Board of Directors shall provide for the installation of an accounting system and the keeping of records which shall be adequate to properly record and classify the operation of the business and its major departments. It shall also be the duty of the Board of Directors to provide for the keeping of proper records of all business transactions, patronage by patrons, patronage refunds paid in or capital surplus and capital reserves so as to distinguish clearly capital surplus and capital reserves.

Section 7. Audits or Reviews

The Board of Directors shall secure the services of an independent certified public accountant who has experience working with the accounting and financial reporting requirements of cooperative enterprises who shall conduct, at the discretion of the Board, either a review, a review with additional agreed upon procedures to provide assurance of certain account balances or accounting system matters as specified by the Board or an audit of the Cooperative's books, records and year-end financial statements following applicable professional standards. In the exercise of the Board's discretion as to the type of services to be provided by the certified public accountant it is required that no more than two years elapse without a full audit being performed. The Cooperative's reviewed or audited financial statements and/or summarized information from them shall be presented to the members of the Cooperative at their annual meeting and/or through other forms of communication at the discretion of the Board.

Section 8. Records of Meetings

The Board of Directors shall cause to be kept a complete and detailed record of all meetings, proceedings, and actions of the Board of Directors and of any committees appointed by it.

ARTICLE VII OFFICERS

Section 1. Executive Officers

The executive officers of the Cooperative shall be a President, a First and Second Vice-President, a Secretary and a Treasurer, and shall be elected by and from among the Directors of the Cooperative. The offices of the Secretary and Treasurer may be combined and held by the same person, in which event their powers and duties shall be exercised and performed by the same person.

The executive officers shall be elected annually at the organizational meeting of the Board of Directors to hold office for a term of one year and until their successors are elected and qualified.

Vacancies occurring in any executive office shall be filled by the election of a successor at the next meeting of the Board of Directors, to hold office for the unexpired term.

Section 2. Other Officers

The Board of Directors may appoint such other officers as it shall deem necessary, who shall have such authority and shall perform such duties as may from time to time be prescribed by the Board of Directors.

Section 3. Duties of Officers

Officers shall have the duties customarily assigned to their respective corporate offices plus any specific duties assigned by the Board of Directors. The Board of Directors may adopt policies to outline the specific duties expected to be carried out by specific officers.

Section 4. Surrender of Records

Each officer, agent and employee of the Cooperative shall upon termination of his term of office or employment, or upon the election, employment and qualification of a successor, turn over to the Cooperative all papers, money, records, and property of the Cooperative which shall be in his possession or in his control.

ARTICLE VIII COMMITTEES

Section 1. Appointment of Committees

The Board of Directors may appoint such committees as it decides are necessary for the purposes the directors may determine. Except as

provided in these bylaws, the Board of Directors shall establish the number of members on such committees and shall establish the authority and powers of each committee.

Section 2. Executive Committee

The Board of Directors may, at their discretion, appoint from its own membership, an executive committee of three members, determining their tenure of office and their power and duties. The Board of Directors may allot to such executive committee all or any stated portion of the functions and powers of the Board, subject to the general direction, approval, and control of the Board of Directors. Copies of the minutes of any meeting of the executive committee shall be sent to all directors by mail or by a form of electronic transmission to which the director has consented within seven (7) days following such meeting.

Section 3. Committee Meetings

Committees shall fix their own rules of procedure and shall meet where and as provided for by such rules and as provided by the Board of Directors. Committee meetings and participation in the meetings by committee members may be conducted in conformance with the board meeting provisions of Article V, Section 5.

Section 4. Quorum

A majority of the members of any committee, when present in person or by remote or electronic communication at any duly called and convened meeting of the committee, shall constitute a quorum for the transaction of business.

An affirmative vote of a majority of all the committee members present in person or by remote or electronic communication at a committee meeting shall be necessary in every case for the adoption of any resolution.

Section 5. Committee Reports

Each committee shall report the proceedings and actions taken at its meeting to the Board of Directors at its next meeting. Such actions shall be subject to revision or alteration by the Board of Directors, provided that no rights or acts of third parties shall be affected by such revision or alteration.

A copy of each resolution proposed or recommended by a committee which is to be submitted to the voting members at the next Annual Meeting or a Special Meeting of the Cooperative's members shall be sent by the Secretary of the Cooperative in conformance with the meeting notice requirements stated in Article IV, Section 3 of these bylaws.

Section 6. Compensation of Committee Person

Each committee person shall be paid suitable compensation for his or her time and service on the committee and shall be remunerated for actual travel and other expenses incurred in attendance of a committee meeting or business of the Cooperative.

**ARTICLE IX
AMENDMENTS**

Section 1. Amendment or Repeal of Amendments of Articles of Incorporation or Bylaws

The Cooperative's articles of incorporation or these bylaws may be amended or repealed at any annual or special member meeting or through a mail-in or electronic vote duly called or authorized by the Board of Directors in accordance with Article IV of these bylaws. The resolution to amend or repeal shall be approved by the vote of the majority of members present in person or by proxy at such meeting or participating in the mail-in or electronic vote.

Prior to the member vote the proposed amendment or repeal must have been approved by the Advisory and Resolutions Committee (if such committee is in existence at the time of the amendment or repeal is proposed) and recommended to the members for adoption by the Board of Directors. For the member vote to be effective a copy of the proposed amendment or repeal (or a comprehensive summary thereof) must have been furnished to all voting stockholders of the Cooperative within the notice period of the meeting during which the vote will be conducted or the mail-in or electronic vote.

Section 2. Proposal of Amendments to Articles of Incorporation or Bylaws

One-tenth (10 percent) of the voting members, or the Board of Directors may propose any desired amendments to the Articles of Incorporation or to the Bylaws.

Section 3. Temporary Amendments in the Event of Merger or Acquisition

The Board of Directors, by majority vote of its members, may modify the Bylaws in such manner as may be required to conform with the provisions of any agreement of merger or acquisition approved by the Board which may be in conflict with said Article; provided, however, that any such modifications shall continue in force only for such transitional period as the merger or acquisition agreement shall provide but in no event more than two years from the effective date of such merger or

acquisition at which time the modifications shall terminate without further action by the Board.

ARTICLE X COOPERATIVE PLAN

Section 1. Operation

The Cooperative shall operate on a cooperative basis for the mutual benefit of its members as agricultural producers and purchasers of supplies, equipment, goods and services from the Cooperative. Operation on a cooperative basis shall include adding to the cost of supplies and equipment purchased and services rendered for members, such amounts as are deemed necessary and adequate for expenses and for all capital purposes, including provision for depreciation and other valuation reserves, for interest on indebtedness, and for capital reserves. As used in this article the term "Patrons" shall mean common stockholder patrons and non-stockholder patrons with whom the Cooperative has, by express written agreement, agreed to pay patronage.

Monies generated from Patrons' purchases after retention of amounts necessary to cover equitably allocated expenses and for capital purposes shall be distributed to the Patrons on a patronage basis.

Section 2. Refunds and Members' Capital

- a) In furnishing services, providing supplies and equipment, or otherwise making facilities or services available to Patrons, the operations of the Cooperative shall be so conducted that all Patrons will, through their patronage, furnish capital for the Cooperative. The Cooperative hereby obligates itself to account on a patronage basis to all its Patrons for all amounts received from the furnishing of these services in excess of operating costs and expenses properly chargeable against the type of service furnished. All such amounts in excess of operating costs and expenses are received by the Cooperative with the understanding that they are provided as capital.

- b) The net annual margins resulting from the transaction of the patronage source business of the Cooperative shall be apportioned to and allocated among the Patrons as a patronage refund for the respective year in the proportion that the individual Patron's dollar volume of business for that year bears to the total dollar volume of business of the Cooperative done with all Patrons for that year, as the same appears upon the books and records of the Cooperative. The Cooperative is obligated to make payments of all such

amounts in excess of reserves and operating costs and expenses, in cash, certificates of equity, equity capital retain certificates or other credits to a capital account for each Patron.

Net earnings available for distribution as patronage refunds shall not be reduced by dividends on capital stock or other proprietary capital interests.

The Board of Directors, at its discretion, may impose a de minimis rule setting minimum patronage allocations in compliance with the then current Internal Revenue Service requirements for non-allocation of de minimis patronage refund amounts. Such amounts not allocated to Patrons shall be treated as taxable income to the Cooperative and added to the Cooperative's unallocated retained earnings.

The non-cash portion of such annual allocations may also be made in shares of non-voting stock or other securities of the Cooperative. Stock issued in such allocations shall be treated as full payment of the capital portion of the allocation. Holders of securities received in such allocations will be free to transfer, sell, hold or otherwise handle the securities under the terms and conditions of the securities series received.

The Board of Directors shall have the discretion to determine whether gains and losses from sales or other disposition of capital assets used in the operations of the Cooperative (facilitative assets) will be treated as patronage or non-patronage transactions, based upon whether the disposed asset will be replaced or other assets acquired (treat as non-patronage income) or if the proceeds are available for distribution to eligible patrons (treat as patronage income). In making its decision, the Board shall consider the nature of the asset, the records of patron use of the assets that are available, current IRS requirements and any other relevant factors.

- c) In making its patronage refunds each year, the Board of Directors may elect to make a qualified patronage allocation or a non-qualified patronage allocation (as defined by the Internal Revenue Code and applicable regulations). The Board of Directors may also elect to compute patronage refunds based upon separate allocation units established by the Board of Directors on a reasonable and equitable basis, which may be functional, divisional, departmental, geographic, or otherwise. If allocation units are established, the Board of Directors shall adopt reasonable and equitable accounting procedures that, in the Board of Directors' judgment equitably

allocates among the allocation units the Cooperative's income, gain, expenses, and losses are equitably allocated between departments, and such department allocations are followed consistently once the departments are established.

At the discretion of the Board of Directors, the Cooperative's patronage refunds shall be computed on the basis of the Cooperative's taxable income each year, adjusted for permanent differences where appropriate and with consideration of Internal Revenue Service positions on handling such timing differences, or on the basis of the Cooperative's book income each year.

- d) The books and records of the Cooperative shall be maintained in such a manner that the amount of capital, if any, so furnished by each Patron is clearly reflected and credited in an appropriate record to the capital account of each Patron. The Cooperative shall, within eight and one-half (8 ½) months after the close of the fiscal year, notify each Patron in the form of a written notice of allocation (as defined in 26 U.S.C. 1388), of the amount of capital so credited to its account.
- e) All non-patronage source income received by the Cooperative from its operations in excess of related costs and expenses, which cannot otherwise be classified as income allocable to Patrons, shall be treated as taxable income to the Cooperative and added to the Cooperative's unallocated retained earnings.
- f) An operating loss shall be apportioned among the Patrons during the year of loss so that such loss will, to the extent practicable, be borne by such Patrons with respect to the loss year on an equitable basis, including charging the loss against allocated reserves, unallocated reserves or the capital accounts of said Patrons. Members shall not be directly assessable for any loss. The Board of Directors may, in its discretion, determine that the loss be carried forward or back so long as any carryforward or carryback will not place an inequitable burden upon past or future Patrons. If, in any fiscal year, the Cooperative shall incur a loss other than an operating loss, the Board of Directors shall have full authority to prescribe the basis on which capital furnished by Patrons may be reduced or such loss is to be otherwise equitably apportioned among the Patrons.
- g) The Board of Directors may direct that patronage losses (including patronage losses carried to any year) which are attributable to one or more allocation units (whether such units are functional,

divisional, departmental, geographic, or otherwise) shall be netted, in whole or in part, against patronage earnings of one or more other allocation units. Such allocation shall be done in accordance with the provisions of subchapter T of the Internal Revenue Code (Sec. 1382 and Sec. 1388(j)).

- h) The Cooperative shall have a first lien on Patrons' capital credits issued and outstanding, patronage funds, and any other Patrons' equities standing on its books, for all indebtedness of the respective holders or owners thereof to this Cooperative. This Cooperative, at the option of the Board of Directors, shall have the right to offset for the face amount thereof, or a lesser amount determined as stated below, against such indebtedness; but nothing herein shall give the holders of such credits or patronage refunds any right to have such offset made.

The Cooperative may discount the value of any patron or Patron accounts or property that the Board elects to set off against the patron or Patron's indebtedness to the Cooperative. The discount rate shall be that rate established from time to time by the Board of Directors.

If the discounted amount is less than the indebtedness to offset, the Cooperative's lien shall continue against any future retained patronage income or other equity capital or credit accounts allocated to or paid in by the patron or Patron, which shall, at the discretion of the Board of Directors, be discounted and offset against any remaining indebtedness.

- i) Members' capital accounts of the Cooperative may be transferred only with the consent of the Board of Directors and shall not be binding until recorded in the records of the Cooperative.

Section 3. Reserves

The Cooperative may establish reasonable reserves for any necessary purpose in the conduct of the Cooperative's business, including capital reserves, out of the net annual savings for any fiscal year. The Directors shall annually add to the capital reserves an amount not to exceed 25% of net annual savings, provided that a determination as to a specific amount is determined prior to the first day of any fiscal year. The discretion to credit net savings to the capital reserve may be reduced or eliminated with respect to net savings of any period following the adoption of a resolution of the Board of Directors that irrevocably provides or such reduction or elimination with respect to such period. Reserves shall be

consistent with state and federal law relating to the Cooperative and its intended federal tax status.

Section 4. Consent of Members on Patronage Allocations

Each person or entity who hereafter becomes a Patron of this Cooperative and each Patron on the effective date of this bylaw who continues to patronize this Cooperative after such date shall, by such act alone, consent that the amount of any distributions with respect to the Patron's patronage occurring after January 1, 1963, which are made in written notices of allocation (as defined in 26 USC 1388) and which are received by the Patron from the Cooperative, will be taken into account by the Patron at their stated dollar amounts in the manner provided in 26 USC 138(5a) in the taxable year in which such written notices of allocation are received.

Section 5. Revolving Credits

- a) If, at any time, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to the accounts of the Patrons may be retired in full or in part. No legal or equitable right to payment or redemption shall exist unless and until the Board of Directors shall have determined that funds are available and until the holder shall have responded to a call for payment duly issued by the Board of Directors. Any such retirement of capital shall be made in such order of priority as shall be determined by the Board of Directors. Amounts being redeemed, to the extent permitted by law, shall be applied first to amounts owed by the Patron to the Cooperative.
- b) Notwithstanding any other provisions of these Bylaws, the Board of Directors, in its discretion, shall have the power to retire the capital credited to any Patron's account at any time in such events as death or bankruptcy, or in exercise of its lien established in Section 2(h) of this Article, or on such terms and conditions as may be agreed upon by the parties, or in any instance in which the interests of the Cooperative and its Patrons are deemed to be furthered thereby and funds are determined by the Board of Directors to be available for such purposes.
- c) The Board of Directors may offer to redeem Patrons' capital credits at a discount if such discount is acceptable to the Patrons who hold those capital credits and the offer is made equitably in regard to the interests of all Patrons holding capital credits.

- d) The Board of Directors, at its discretion, may redeem capital credits under the provisions of this section in cash, or in equivalent value at the time of redemption in,
- (1) non-voting stock or other securities issued by the Cooperative,
 - (2) products, services, and/or transferable credits therefore,
 - (3) credits against a Patron's trade accounts,
 - (4) other property or financial instruments, or
 - (5) any combination of the above which could include a partial cash payment.

Receipt of such payments shall constitute full redemption of the capital credits involved. The Cooperative shall have no further obligations to the Patron/patron who received the redemption payment other than to honor the requirements of any securities or other credits issued by the Cooperative in the redemption transaction.

Section 6. Unclaimed Patronage Refunds and Credits

It is a requirement that a Patron/ or any other equity account holder keeps the Cooperative informed of their current mailing address to maintain voting membership in the Cooperative and to retain any equity account. Failure to do so will result in forfeiture of all equity accounts belonging to the account holder held by the Cooperative.

In accordance with the written instructions of the member/Patron stated in the Cooperative's membership agreement, in the event the Cooperative is unable to make payment of current patronage refunds, redemptions of prior period allocated patronage credits or other equity account amounts to any member/Patron or other account holder entitled thereto because of the failure of such person or entity to keep the Cooperative informed of their current address (therefore resulting in a forfeiture of the account(s) involved), incapacity of the member/Patron or other account holder to receive the same, or any other cause, within thirty (30) months after such a payment becomes due and payable, such unpaid refunds or credits shall be transferred at the sole discretion of the Cooperative's Board of Directors either to support one or more youth oriented agricultural organizations or programs, or to the Cooperative's unallocated surplus account or other unallocated equity capital account or reserve. For purposes of this section, the words member and patron shall include current member/Patrons of the Cooperative and former member/Patrons who still are entitled to amounts recorded on the books of the Cooperative resulting from patronage transaction or equity investments.

Should any holder of a forfeited equity account re-contact the Cooperative and make their present address known within 10 years of the account having been declared forfeited, the account will be re-established to its original status in the name of the holder. Should the re-established account be of a class or type which has been redeemed or otherwise reclassified since its forfeiture, the re-established account shall be similarly redeemed or reclassified at the time it is re-established.

Section 7. Dissolution and Property Interest of Members

Upon dissolution, after

- (1) all debts and liabilities of the Cooperative shall have been paid,
- (2) the stated value or par value of preferred shares issued with priority over allocated patronage credits and other stock shares returned,
- (3) all capital furnished through patronage shall have been retired without priority on a pro rata basis, and
- (4) the stated value or par value of stockholders' remaining preferred and common shares returned in order of their established liquidation priority.

Any amounts remaining after the foregoing payments have been made shall be allocated among the Patrons in such manner as the Board of Directors, having taken into consideration the origin of such amounts, shall determine to be reasonable and equitable. Amounts so allocated shall be paid to current and former Patrons of each such allocation unit in proportion to their patronage of such unit over such period as may be determined to be equitable and practicable by the Board of Directors. Such obligation to distribute shall be construed as a preexisting duty to distribute any patronage-sourced net gain realized in the winding up process to the maximum extent allowable by law.

In the process of returning the stated value of stock shares to stockholders in the priority stated above, the net proceeds traceable from assets that have been used in the valuation formula for any specific preferred stock series shall be allocated first to return the stated value of outstanding shares of that series.

Section 8. Treatment of Patrons' Rights in the Event of a Merger, Reorganization, or Consolidation

In the event of a merger, reorganization, or consolidation of the Cooperative or to which the Cooperative is a party, the property rights

and interests of Patrons of the Cooperative shall be recognized and preserved in an equitable manner that corresponds in general to the property rights and interests of Patrons recognized upon dissolution of the Cooperative.

Section 9. Regional and Local Patronage

The Board of Directors may at its discretion cause the allocated patronage records including credits on the books of the Cooperative to be maintained in separate categories designating income or losses generated from the Cooperative's own activities and income or losses received through allocations from federated or other cooperatives in which the Cooperative is a member or maintains an ownership interest.

Section 10. Termination of Economic Participation Interest

When a voting common stockholder resigns or their common stock ownership interest is terminated for any reason, they no longer have any equity or participation interest or rights in subsequent distributions made by the corporation except for receiving their share of any patronage income distribution specifically for the year in which their common stock ownership terminated.

ARTICLE XI

INDEMNIFICATION PLAN OF THE COOPERATIVE

Section 1. Third-Party Actions

The Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that he/she is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him/her in connection with such action, suit or proceeding if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Cooperative or its shareholders, and with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he/she reasonably believed to be in or not opposed to the best interests of the

Cooperative or its shareholders, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his/her conduct was unlawful.

Section 2. Actions in the Right of the Cooperative

The Cooperative shall indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that he/she is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another association, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him/her in connection with the defense or settlement of such action or suit if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Cooperative or its shareholders and except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his/her duty to the Cooperative unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 3. Mandatory and Permissive Payments

To the extent that a director, officer, employee or agent of the Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in sections 1 or 2 of the Indemnification Plan of the Cooperative or in defense of any claim, issue or matter therein, he/she shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him/her in connection therewith. Any indemnification under Sections 1 and 2 of the Indemnification Plan of the Cooperative (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he/she met the applicable standard of conduct set forth in Sections 1 and 2 of the Indemnification Plan of the Cooperative.

Such determination shall be made in either of the following ways:

- (1) By the Board by a majority vote of a quorum consisting of directors who are not parties to such action, suit or proceeding.

- (2) By independent legal counsel in a written opinion, if such quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs.
- (3) By the shareholders.

Section 4. Expense Advances

Expenses incurred in defending a civil or criminal action, suit or proceeding described in Sections 1 or 2 of the Indemnification Plan of the Cooperative may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in subsection (2) of Section 3 of the Indemnification Plan of the Cooperative upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he/she is entitled to be indemnified by the Cooperative.

Section 5. Continuation

The indemnification provided in Sections 1 to 4 of the Indemnification Plan of the Cooperative continues as to a person who has ceased to be a director, officer, employee or agent and shall insure the benefit of the heirs, executors and administrators of such person.

Section 6. Insurance

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his/her status as such, whether or not the Cooperative would have power to indemnify him/her against such liability under Sections 1 to 5 of the Indemnification Plan of the Cooperative.

Section 7. Changes in Michigan Law

In the event of any change of the Michigan statutory provisions applicable to the Cooperative relating to the subject matter of this Article of these Bylaws, the indemnification to which any person shall be entitled hereunder shall be determined by such changed provisions.

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